

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

PRELIMINARY RATE AND FINANCING REPORT

June 4, 2010



SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

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SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

PURPOSE OF THE REPORT

Crowe Horwath LLP has performed a study and analysis of the operating and financial reports, budgets and other data pertaining to the Speedway Municipal Water Utility ("Utility"). The results of our analysis are contained in this Preliminary Rate and Financing Report ("Report").

The purpose of the Report is to estimate the Utility's cash flow and financial capacity to meet its on-going revenue requirements for operation and maintenance expenses, present and proposed debt service payments, and to make capital improvements to the Utility's system. This Report is based on data for the twelve months ended December 31, 2009. The historical information used in this Report was taken from the books and records of the Utility and was adjusted as necessary for fixed, known and measurable items as disclosed in the Exhibits and Schedules of this Report.

In the course of preparing this Report, we have not conducted an audit of any financial or supplemental data used in the accompanying Exhibits and Schedules. We have made certain projections that may vary from actual results because events and circumstances frequently do not occur as estimated and such variances may be material. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

If you have any questions regarding this Report, please call Jennifer Wilson at (317) 269-6696 or John Skomp at (317) 269-6699.

SPEEDWAY MUNICIPAL WATER UTILITY Speedway, Indiana

EXECUTIVE SUMMARY

Crowe Horwath LLP ("Crowe") has performed a study and analysis of the operating and financial reports, budgets and other data pertaining to the Speedway Municipal Water Utility ("Utility"). The results of our analysis are contained in this Preliminary Rate and Financing Report ("Report"). This Executive Summary ("Summary") highlights the results of the analysis contained in the Report.

In the course of preparing the Report, Crowe considered the historical revenues and expenses to assess the Utility's current and projected financial condition. Exhibit C presents the Statements of Income. The following is a recap of the historical and projected operating revenues, operation and maintenance expenses and taxes:

<u>Year</u>	<u>Operating Revenues</u>	<u>Operation and Maintenance Expenses</u>	<u>Taxes</u>	<u>Net</u>
2007	\$ 2,086,171	\$ 1,595,795	\$ 118,277	\$ 372,099
2008	1,930,440	1,466,504	106,062	357,874
2009	1,838,432	1,606,436	111,010	120,986
Pro Forma	1,838,432	1,741,979	170,968	(74,515)

As shown above, Operating Revenues have decreased significantly between 2007 and 2008 due to the loss of commercial customers such as Electric Steel and Plastic. The Operation and Maintenance Expenses for the same time period were reduced thus offsetting the loss in commercial revenue. The Pro Forma Operation and Maintenance Expenses are projected to increase primarily due to the estimated increase in sludge removal expense. The increase in Taxes Other Than Income Taxes reflects an increase in the Payment in Lieu of Taxes due to the proposed capital improvement plan projects shown on Exhibit E.

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

EXECUTIVE SUMMARY (Continued)

In addition to considering the Utility's historical financial condition, current and projected capital improvement projects also need to be considered. The Utility has identified certain projects to be funded over a five year period as shown on Exhibit E. It is anticipated that the majority of the projects will be funded through the issuance of bonds. Exhibit F provides the estimated sources and uses of funds for the proposed 2011 bond issue. It is anticipated that the Utility will issue a BAN in 2010 to cover certain capital improvements to be completed in 2010, and this BAN will be taken out by the 2011 bond issue. A second BAN and bond issue are estimated to be sold in 2012 and 2013, respectively, to address the capital needs at that time.

In the Phase I revenue requirements scenario shown on Exhibit H, revenue is provided for the Utility to fund operation and maintenance expenses, taxes, present debt service, working capital, and annual extensions and replacements. Average annual extensions and replacements is based on the capital improvement plan provided by the Utility. This scenario would require an across-the-board rate increase of thirty-two percent (32%).

In the Phase II revenue requirements scenario shown on Exhibit I, revenue is provided for the Utility to fund operation and maintenance expenses, taxes, present and proposed debt service, working capital, and annual extensions and replacements. Average annual extensions and replacements is based on the capital improvement plan provided by the Utility. This scenario would require an across-the-board rate increase of forty-seven percent (47%).

The rate increase would be applied to all rates and charges of the Utility. This would include consumption charges, monthly base charges, and monthly fire protection charges. The impact to the monthly bill of average residential customers would be as follows:

<u>Monthly Consumption (1)</u>	<u>Present Charge</u>	<u>Phase I Proposed Charge</u>	<u>Difference</u>	<u>Phase II Proposed Charge</u>	<u>Difference</u>
4,000 Gallons	\$ 13.30	\$ 17.55	\$ 4.25	\$ 19.55	\$ 6.25
6,000 Gallons	18.15	23.94	5.79	26.71	8.56
15,000 Gallons	39.58	52.22	12.64	58.21	18.63

(1) Minimum usage charge is for 4,000 gallons.

This Summary was prepared to give the readers a brief synopsis of the Exhibits and Schedules to the Report. Please see the Report for the entire analysis of the Utility. If you have any questions regarding this Summary, please call Jennifer Wilson at (317) 269-6696 or John Skomp at (317) 269-6699.

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Balance Sheets as of December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS AND OTHER DEBITS			
<u>Utility Plant</u>			
Utility Plant in Service	\$ 7,544,783	\$ 7,336,871	\$ 7,206,307
Less: Accumulated Depreciation	<u>(3,203,402)</u>	<u>(3,044,735)</u>	<u>(2,889,433)</u>
Net Utility Plant in Service	4,341,381	4,292,136	4,316,874
Add: Construction Work in Progress	<u>2,581,343</u>	<u>2,581,343</u>	<u>2,581,343</u>
Net Utility Plant	<u>6,922,724</u>	<u>6,873,479</u>	<u>6,898,217</u>
 <u>Restricted Assets</u>			
Depreciation Fund	1,038,031	784,709	1,143,595
Bond Sinking and Reserve Fund	<u>303,597</u>	<u>302,842</u>	<u>302,412</u>
Total Restricted Assets	<u>1,341,628</u>	<u>1,087,551</u>	<u>1,446,007</u>
 <u>Current and Accrued Assets</u>			
Operating Fund	81,841	163,054	279,036
Accounts Receivable	45,907	482,076	105,031
Prepaid Expenses	<u>105,862</u>	<u>147,083</u>	<u>53,276</u>
Total Current and Accrued Assets	<u>233,610</u>	<u>792,213</u>	<u>437,343</u>
 <u>Deferred Debits</u>			
Unamortized Debt Discount	<u>25,220</u>	<u>29,323</u>	<u>33,456</u>
 Total Assets and Other Debits	<u><u>\$ 8,523,182</u></u>	<u><u>\$ 8,782,566</u></u>	<u><u>\$ 8,815,023</u></u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Balance Sheets as of December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
LIABILITIES AND OTHER CREDITS			
<u>Equity Capital</u>			
Unappropriated Retained Earnings	\$ 7,076,408	\$ 6,915,169	\$ 6,697,820
Current Year Earnings	(64,843)	161,240	217,348
Total Equity Capital	<u>7,011,565</u>	<u>7,076,409</u>	<u>6,915,168</u>
<u>Long Term Liabilities</u>			
2001 Revenue Bonds	<u>1,489,300</u>	<u>1,694,300</u>	<u>1,889,300</u>
<u>Current and Accrued Liabilities</u>			
Accounts Payable	(2,560)	(2,559)	(2,559)
Accrued Interest Payable	12,294	(431)	(81)
Accrued Taxes Payable	12,583	14,847	13,195
Total Current and Accrued Liabilities	<u>22,317</u>	<u>11,857</u>	<u>10,555</u>
Total Liabilities and Other Credits	<u>\$ 8,523,182</u>	<u>\$ 8,782,566</u>	<u>\$ 8,815,023</u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Waterworks Revenue Bonds of 2001
Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Total</u>
7/1/10			\$ 33,930	\$ 33,930	
1/1/11	\$ 215,000	4.5 %	33,930	248,930	\$ 282,860
7/1/11			29,093	29,093	
1/1/12	225,000	4.5	29,093	254,093	283,186
7/1/12			24,030	24,030	
1/1/13	240,000	4.5	24,030	264,030	288,060
7/1/13			18,630	18,630	
1/1/14	255,000	4.6	18,630	273,630	292,260
7/1/14			12,765	12,765	
1/1/15	270,000	4.6	12,765	282,765	295,530
7/1/15			6,555	6,555	
1/1/16	<u>285,000</u>	4.6	<u>6,555</u>	<u>291,555</u>	298,110
Totals	<u>\$ 1,490,000</u>		<u>\$ 250,006</u>	<u>\$ 1,740,006</u>	

Note: The debt service reserve requirement is satisfied by cash on hand.

SPEEDWAY MUNICIPAL WATER UTILITY
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Statement of Fund Balances as of December 31, 2009
and Calculation of Required Fund Balances

Operating Fund	\$ 81,841
Depreciation Fund	1,038,031
Bond Sinking and Debt Service Reserve Fund	<u>303,597</u>
Total Cash and Investments	<u><u>\$1,423,469</u></u>

Operating Fund

<u>Calculation of Required Operating Fund Balance</u>	
Adjusted Operation and Maintenance Expenses (Exhibit D)	\$1,741,979
Adjusted Taxes Other Than Income Taxes (Exhibit D)	<u>170,968</u>
Subtotal	1,912,947
Divide by: Twelve Months	<u>12</u>
Monthly Operation and Maintenance Expenses and Taxes Other Than Income Taxes	159,412
Times: Two Months	<u>2</u>
Minimum Required Balance	318,824
Less: Current Operating Fund Balance	<u>(81,841)</u>
Delinquency in Operating Fund Balance (1)	<u><u>\$ 236,983</u></u>

(1) To be satisfied by recommended transfer from Depreciation Fund.

Debt Service Reserve (DSR) Fund

<u>Calculation of Required Debt Service Reserve Balance</u>	
2001 Bonds Maximum Annual Debt Service	<u>\$ 298,110</u>
Compared to Current Debt Service Reserve Fund Balance	<u><u>\$ 303,597</u></u>
Excess DSR Fund Balance	<u><u>\$ 5,487</u></u>

Note: The Bond Sinking Fund should be reduced to \$0 or a minimum amount after each principal payment. The above calculation assumes that the Bond Sinking Fund Balance is zero and any amount in the Bond Sinking and Debt Service Reserve Fund is attributable only to the Debt Service Reserve Fund.

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Statements of Income for the Twelve Months Ended
December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Operating Revenues</u>			
Residential Sales	\$ 594,613	\$ 615,759	\$ 645,235
Commercial Sales	605,663	763,761	842,434
Industrial Sales	144,759	157,666	156,247
Public Fire Protection	114,566	115,697	115,586
Private Fire Protection	250,538	254,257	252,749
Forfeited Discounts	12,564	18,200	13,083
Miscellaneous Receipts	115,729	5,100	60,837
Total Operating Revenues	<u>1,838,432</u>	<u>1,930,440</u>	<u>2,086,171</u>
<u>Operating Expenses</u>			
<u>Operation and Maintenance Expenses</u>			
Source of Supply			
Purchased Water	18,000	18,000	16,500
Contractual Services - Well Maintenance	7,597	48,822	49,333
Water Treatment			
Salaries and Wages - Operations	151,931	145,895	140,878
Purchased Power	119,965	122,756	130,724
Chemical	105,905	92,255	109,715
Contractual Services -Treatment Labor	114,643	36,647	49,418
Materials and Supplies	40,209	29,758	44,818
Contractual Services - Engineering	78,299	48,029	25,535
Transmission and Distribution			
Salaries and Wages	157,577	172,043	222,324
Materials and Supplies	13,636	21,616	17,421
Contractual Services - Distribution Labor	7,914	32,824	18,266
Transportation Expense	18,736	20,994	18,277
Customer Accounts			
Salaries and Wages	103,332	101,130	100,480
Administrative and General			
Salaries and Wages	132,829	114,473	114,602
Materials and Supplies	679	-	-
Contractual Services - Accounting	2,146	2,547	19,200
Communications and Telephone	7,132	7,933	8,343
Contractual Services - Legal	53,204	55,641	87,549
Advertising	890	100	-
Office Maintenance	12,579	12,252	11,277

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Statements of Income for the Twelve Months Ended
December 31, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administrative and General (Continued)			
NPDES Permit	\$ 400	\$ 450	\$ 400
IDEM Fee	3,821	3,821	3,821
Refunds	285	224	438
Bad Debt Expense	30	242	1,062
Other Operating Expenses			
Salaries and Wages - Officers' Salaries	36,255	-	-
Longevity	13,213	-	-
Employee Benefits - Insurance	100,780	94,577	101,146
Employee Benefits - PERF Contributions	40,054	37,881	36,794
Indiana Unemployment Compensation	-	-	-
Insurance - General	152,698	168,279	144,344
Veolia Contract Expense	35,931	-	-
Miscellaneous Expense	75,766	77,315	123,130
Total Operation and Maintenance Expenses	<u>1,606,436</u>	<u>1,466,504</u>	<u>1,595,795</u>
Depreciation Expense	<u>158,667</u>	<u>155,303</u>	<u>153,097</u>
Amortization Expense	<u>4,103</u>	<u>4,133</u>	<u>4,133</u>
<u>Taxes Other Than Income Taxes</u>			
Payment In Lieu of Taxes	32,436	32,436	32,436
Payroll Taxes	43,074	38,786	42,143
Utility Receipts Tax	35,500	34,840	43,698
Total Taxes Other Than Income Taxes	<u>111,010</u>	<u>106,062</u>	<u>118,277</u>
Total Operating Expenses	<u>1,880,216</u>	<u>1,732,002</u>	<u>1,871,302</u>
Net Operating Income	<u>(41,784)</u>	<u>198,438</u>	<u>214,869</u>
<u>Other Income</u>			
Interest Income	12,364	29,437	71,138
Temporary Loan Repayment	-	-	400,215
Connection Fees	28,537	12,550	15,301
Rents from Water Property	13,125	6,675	10,225
Total Other Income	<u>54,026</u>	<u>48,662</u>	<u>496,879</u>
<u>Other Expenses</u>			
Temporary Loan	-	-	400,215
Interest Expense	77,085	85,860	94,185
Total Other Income	<u>77,085</u>	<u>85,860</u>	<u>494,400</u>
Net Income	<u>\$ (64,843)</u>	<u>\$ 161,240</u>	<u>\$ 217,348</u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Adjusted Statement of Income

	December 31, <u>2009</u>	<u>Adjustments</u> <u>Amount</u>	<u>Ref.</u>	<u>Adjusted</u>
<u>Operating Revenues</u>				
Residential Sales	\$ 594,613			\$ 594,613
Commercial Sales	605,663			605,663
Industrial Sales	144,759			144,759
Public Fire Protection	114,566			114,566
Private Fire Protection	250,538			250,538
Forfeited Discounts	12,564			12,564
Miscellaneous Receipts	115,729			115,729
Total Operating Revenues	<u>1,838,432</u>			<u>1,838,432</u>
<u>Operating Expenses</u>				
Operation and Maintenance Expenses	1,606,436	\$ 17,458	(1)	1,741,979
		3,401	(2)	
		20,156	(3)	
		94,528	(4)	
Depreciation Expense	158,667	128,251	(5)	286,918
Amortization Expense	4,103			4,103
Taxes Other Than Income Taxes	111,010	2,779	(6)	170,968
		(9,776)	(7)	
		66,955	(8)	
Total Operating Expenses	<u>1,880,216</u>	<u>323,752</u>		<u>2,203,968</u>
Net Operating Income	<u>\$ (41,784)</u>	<u>\$ (323,752)</u>		<u>\$ (365,536)</u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Detail of Adjustments

(1)

To adjust "Operation and Maintenance Expenses" for the estimated increase in salaries and wages.

Test Year Salaries and Wages	\$ 581,924	
Times: Three (3%) Percent	<u>3%</u>	
Adjustment - Increase		<u><u>\$ 17,458</u></u>

(2)

To adjust "Operation and Maintenance Expenses" for the change in PERF expense due to the estimated increase in salaries and wages.

Pro Forma Salaries and Wages	\$ 599,382	
Times: 2010 PERF Contribution Rate	<u>7.25%</u>	
Pro Forma PERF Expense	43,455	
Less: Test Year	<u>(40,054)</u>	
Adjustment - Increase		<u><u>\$ 3,401</u></u>

(3)

To adjust "Operation and Maintenance Expenses" for the estimated increase in Insurance Expense.

Test Year Employee Benefits - Insurance	\$ 100,780	
Times: Twenty (20%) Percent	<u>20%</u>	
Adjustment - Increase		<u><u>\$ 20,156</u></u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana
Detail of Adjustments

(4)

To adjust "Operation and Maintenance Expenses" to annualize the cost of sludge removal.

Average Monthly Sludge Removal Expense	\$ 11,816	
Times: Annualize	12	
Pro Forma Sludge Removal Expense	<u>141,792</u>	
Less: Test Year	<u>(47,264)</u>	
Adjustment - Increase		<u>\$ 94,528</u>

(5)

To adjust "Depreciation Expense" for the increase in Utility Plant in Service.

Utility Plant in Service as of December 31, 2009	\$ 7,544,783	
Add: Construction Work in Progress	2,581,343	
Add: Proposed 2011 Bond Construction Project	4,243,500	
Less: Land and Land Rights	<u>(23,712)</u>	
Depreciable Utility Plant in Service	<u>14,345,914</u>	
Times: Estimated Depreciation Rate	2%	
Pro Forma Depreciation Expense	<u>286,918</u>	
Less: Test Year	<u>(158,667)</u>	
Adjustment - Increase		<u>\$ 128,251</u>

(6)

To adjust "Taxes Other Than Income Taxes" for the increase in FICA tax due to the estimated increase in salaries and wages.

Pro Forma Salaries and Wages - 2010	\$ 599,382	
Times: FICA Tax Rate	7.65%	
Pro Forma FICA Expense	<u>45,853</u>	
Less: Test Year	<u>(43,074)</u>	
Adjustment - Increase		<u>\$ 2,779</u>

SPEEDWAY MUNICIPAL WATER UTILITY

Speedway, Indiana

Detail of Adjustments

(7)

To adjust "Taxes Other Than Income Taxes" to allow for the appropriate utility receipts tax at the adjusted level of operating revenue.

Adjusted Operating Revenues	\$ 1,838,432
Less: Exemption	(1,000)
Taxable Operating Revenues	<u>1,837,432</u>
Times: Utility Receipts Tax Rate	1.40%
Pro Forma Utility Receipts Tax	<u>25,724</u>
Less: Test Year	<u>(35,500)</u>
Adjustment - Decrease	<u>\$ (9,776)</u>

(8)

To adjust "Taxes Other Than Income Taxes" for the estimated increase in the Payment in Lieu of Taxes (PILOT).

Utility Plant in Service as of December 31, 2009	\$ 7,544,783
Add: Construction Work in Progress	2,581,343
Add: Proposed 2010 Bonds Construction Project	<u>4,243,500</u>
Depreciable Utility Plant in Service	14,369,626
Less: Accumulated Depreciation as of December 31, 2009	<u>(3,203,402)</u>
Estimated Net Assessed Valuation	11,166,224
Times: Net Corporate Tax Rate (per \$100 Assessed Valuation)	<u>0.8901</u>
Pro Forma PILOT	99,391
Less: Test Year	<u>(32,436)</u>
Adjustment - Increase	<u>\$ 66,955</u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Five Year Capital Improvement Plan

Provided by Steve Hurst, Superintendent, Speedway Municipal Water Utility

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Distribution						
Equipment	\$ 2,000	\$ 50,000 ##	\$ 72,000 *	\$ 72,000 **	\$ 72,000 **	\$ 52,000
Hydrants		72,000 ##				288,000
Mains		786,500 ##				786,500
Meters	219,000 #	44,000	44,000	44,000	44,000	395,000
Pumps	5,000					5,000
Sampling Stations		10,000				10,000
Tanks		15,000				15,000
Valves	100,000 #	100,000 ##	100,000 *	100,000 **	100,000 **	500,000
Vehicles				80,000	50,000	130,000
Ground Water Plant						
Chemical Feed Equipment	35,000				9,000	35,000
Heating						9,000
Filters				260,000 **		260,000
Instruments	9,000		110,000 *			119,000
Pumps			60,000 *			60,000
Structure	25,000					25,000
Surface Water Plant						
Basins	5,000	75,000 ##				80,000
Filters		9,000		60,000		60,000
Heating						9,000
Instruments	17,000			12,500	12,500	42,000
Intake		330,000 ##				330,000
Pumps			22,500			22,500
Security			45,000			45,000
Structure				80,000		80,000
Ultraviolet		1,952,500 ##				1,952,500

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Five Year Capital Improvement Plan
Provided by Steve Hurst, Superintendent, Speedway Municipal Water Utility

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Vehicles						
Truck Replacement	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 125,000
Well Field						
Pumps	6,400	7,200	7,600	8,000		29,200
Wells	283,500 #	275,000 ##	275,000 *			833,500
Total	731,900	3,744,000	760,700	741,100	320,500	6,298,200
Less: Amount to be Funded by Proposed 2010 Bond Anticipation Notes (#)	(602,500)	(3,641,000)				(602,500)
Less: Amount to be Funded by Proposed 2011 Bonds (##)						(3,641,000)
Less: Amount to be Funded by Proposed 2012 Bond Anticipation Notes (*)			(617,000)			(617,000)
Less: Amount to be Funded by Proposed 2013 Bonds (**)				(432,000)	(172,000)	(604,000)
Amount Funded by Revenue	<u>\$129,400</u>	<u>\$ 103,000</u>	<u>\$143,700</u>	<u>\$309,100</u>	<u>\$148,500</u>	<u>\$ 833,700</u>
Average Annual Extensions and Replacements (2010-2014)						<u>\$ 166,740</u>
Compare to Adjusted Annual Depreciation Expense (Exhibit D)						<u>\$ 286,918</u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Proposed Waterworks Revenue Bonds of 2011
Estimated Sources and Uses of Funds

Sources of Funds

Par Amount of Bonds	<u>\$ 4,515,000</u>
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Total Sources of Funds	<u><u>\$ 4,515,000</u></u>
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Uses of Funds

2010 Bond Anticipation Note (1)	
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2010 Project Costs	\$ 602,500
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Estimated BAN Cost of Issuance	30,000
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2011 Project Costs	3,641,000
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Estimated 2010 BAN Interest (1)	21,083
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Bonds Cost of Issuance	100,000
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Indiana Bond Bank Fee (2.5% of Par)	112,875
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Miscellaneous	<u>7,542</u>
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Total Uses of Funds	<u><u>\$ 4,515,000</u></u>
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- (1) Estimated. Assumes \$30,000 Cost of Issuance, a July 31, 2010 closing date, and five percent (5%) interest rate.

Note: The debt service reserve requirement will be funded by net revenues over a five (5) year period.

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Proposed Waterworks Revenue Bonds of 2011
Estimated Amortization Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon (1)</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
7/1/11			\$ 51,668	\$ 51,668	
1/1/12			102,201	102,201	\$ 153,869
7/1/12			102,201	102,201	
1/1/13			102,201	102,201	204,402
7/1/13			102,201	102,201	
1/1/14			102,201	102,201	204,402
7/1/14			102,201	102,201	
1/1/15			102,201	102,201	204,402
7/1/15			102,201	102,201	
1/1/16			102,201	102,201	204,402
7/1/16			102,201	102,201	
1/1/17	\$ 245,000	3.65 %	102,201	347,201	449,402
7/1/17			97,730	97,730	
1/1/18	250,000	3.85	97,730	347,730	445,460
7/1/18			92,918	92,918	
1/1/19	260,000	4.05	92,918	352,918	445,836
7/1/19			87,653	87,653	
1/1/20	270,000	4.20	87,653	357,653	445,306
7/1/20			81,983	81,983	
1/1/21	285,000	4.30	81,983	366,983	448,966
7/1/21			75,855	75,855	
1/1/22	295,000	4.40	75,855	370,855	446,710
7/1/22			69,365	69,365	
1/1/23	310,000	4.50	69,365	379,365	448,730
7/1/23			62,390	62,390	
1/1/24	325,000	4.55	62,390	387,390	449,780
7/1/24			54,996	54,996	
1/1/25	335,000	4.65	54,996	389,996	444,992
7/1/25			47,208	47,208	
1/1/26	355,000	4.70	47,208	402,208	449,416
7/1/26			38,865	38,865	
1/1/27	370,000	4.80	38,865	408,865	447,730
7/1/27			29,985	29,985	
1/1/28	385,000	4.85	29,985	414,985	444,970
7/1/28			20,649	20,649	
1/1/29	405,000	4.95	20,649	425,649	446,298
7/1/29			10,625	10,625	
1/1/30	425,000	5.00	10,625	435,625	446,250
Totals	<u>\$ 4,515,000</u>		<u>\$ 2,716,323</u>	<u>\$ 7,231,323</u>	

(1) Interest rates are estimated assuming AA rates as of April 19, 2010 plus an additional one hundred (100) basis points. Rates are subject to change.

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Estimated Combined Amortization Schedule

<u>Year</u>	2001 Revenue <u>Bonds</u>	Proposed 2011 Revenue <u>Bonds</u>	<u>Total</u>
2010	\$ 282,860		\$ 282,860
2011	283,186	\$ 153,869	437,055
2012	288,060	204,402	492,462
2013	292,260	204,402	496,662
2014	295,530	204,402	499,932
2015	298,110	204,402	502,512
2016		449,402	449,402
2017		445,460	445,460
2018		445,836	445,836
2019		445,306	445,306
2020		448,966	448,966
2021		446,710	446,710
2022		448,730	448,730
2023		449,780	449,780
2024		444,992	444,992
2025		449,416	449,416
2026		447,730	447,730
2027		444,970	444,970
2028		446,298	446,298
2029		446,250	446,250
Totals	<u>\$ 1,740,006</u>	<u>\$ 7,231,323</u>	<u>\$ 8,971,329</u>

Estimated Combined Maximum Annual Debt Service \$ 502,512

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Statement of Revenue Requirements
Phase I

Operation and Maintenance Expenses (Exhibit D)	\$ 1,741,979
Taxes Other Than Income Taxes (Exhibit D)	170,968
Estimated Maximum Annual Debt Service - 2001 Bonds (Schedule A-1)	298,110
Estimated Average Annual Extensions and Replacements (Exhibit E)	166,740
Total Revenue Requirements	<u>2,377,797</u>
Less: Adjusted Operating Revenues (Exhibit D)	<u>(1,838,432)</u>
Deficit	539,365
Divide by: Revenue Conversion Factor	<u>0.986</u>
Revenue Increase Required	547,023
Divide by: Adjustable Operating Revenues	<u>1,710,139</u>
Percentage Rate Increase Required	<u><u>32%</u></u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Statement of Revenue Requirements
Phase II

Operation and Maintenance Expenses (Exhibit D)	\$ 1,741,979
Taxes Other Than Income Taxes (Exhibit D)	170,968
Estimated Maximum Annual Debt Service (Exhibit G)	502,512
Estimated Average Annual Extensions and Replacements (Exhibit E)	166,740
Estimated Annual Debt Service Reserve Funding (A)	39,783
Total Revenue Requirements	<u>2,621,982</u>
Less: Adjusted Operating Revenues (Exhibit D)	<u>(1,838,432)</u>
Deficit	783,550
Divide by: Revenue Conversion Factor	<u>0.986</u>
Revenue Increase Required	794,675
Divide by: Adjustable Operating Revenues	<u>1,710,139</u>
Percentage Rate Increase Required	<u><u>47%</u></u>

(A) <u>Estimated Annual Debt Service Reserve (DSR) Requirement for 2010 Bonds</u>	
Estimated Total DSR Requirement (Exhibit G)	\$ 502,512
Less: Current DSR Fund Balance (Exhibit B)	<u>(303,597)</u>
Net DSR to be Funded	198,915
Divide by: Five (5) Years	<u>5</u>
Estimated Annual Revenues DSR Funding	<u><u>\$ 39,783</u></u>

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

EXHIBIT J

Schedule of Present and Proposed Rates and Charges

			Present	Phase I	Phase II
			<u>Rates (1)</u>	<u>Proposed Rates</u>	<u>Proposed Rates</u>
<u>Consumption Per Month</u>					
<u>Per 1,000 Gallons</u>					
First	10,000	gallons	\$ 2.82	\$ 3.72	\$ 4.15
Next	15,000	gallons	2.03	2.68	2.98
Next	75,000	gallons	1.64	2.16	2.41
Next	750,000	gallons	1.32	1.74	1.94
Over	850,000	gallons	1.14	1.50	1.68
<u>Minimum Monthly Charges</u>					
5/8 inch meter			\$ 12.07	\$ 15.93	\$ 17.74
3/4 inch meter			24.02	31.71	35.31
1 inch meter			36.30	47.92	53.36
1 1/2 inch meter			57.41	75.78	84.39
2 inch meter			88.00	116.16	129.36
3 inch meter			172.14	227.22	253.05
4 inch meter			248.66	328.23	365.53
6 inch meter			420.84	555.51	618.63
8 inch meter			726.90	959.51	1,068.54
<u>Public Fire Protection Services (Per Annum)</u>					
300-400 Fire Hydrants			\$ 99,293.00	\$ - (2)	\$ - (2)
400-500 Fire Hydrants			127,662.00	- (2)	- (2)
500-600 Fire Hydrants			156,031.00	- (2)	- (2)
<u>Monthly Public Fire Protection Charge</u>					
5/8 inch meter			\$ 1.23	\$ 1.62	\$ 1.81
3/4 inch meter			1.23	1.62	1.81
1 inch meter			3.15	4.16	4.63
1 1/2 inch meter			7.08	9.35	10.41
2 inch meter			12.60	16.63	18.52
3 inch meter			28.34	37.41	41.66
4 inch meter			50.38	66.50	74.06
6 inch meter			113.36	149.64	166.64
8 inch meter			201.52	266.01	296.23
<u>Private Fire Protection Services (Per Annum)</u>					
Automatic Sprinkler Service			\$ 1,206.35	\$ 1,592.38	\$ 1,773.33
Standpipe Connection			363.04	479.21	533.67
Each Fire Hydrant			804.23	1,061.58	1,182.22

(1) Present Rates and Charges were approved on October 24, 2005.

(2) Public Fire Protection is currently a monthly charge included in the "minimum monthly charges" and calculated on meter size.

SPEEDWAY MUNICIPAL WATER UTILITY
Speedway, Indiana

Typical Monthly Bill Analysis
5/8" Meter Customer

<u>Gallons</u>	<u>Present Charge</u>	<u>Phase I Proposed Charge</u>	<u>Difference</u>	<u>Phase II Proposed Charge</u>	<u>Difference</u>
1,000	\$ 13.30	\$ 17.55	\$ 4.25	\$ 19.55	\$ 6.25
2,000	13.30	17.55	4.25	19.55	6.25
3,000	13.30	17.55	4.25	19.55	6.25
4,000	13.30	17.55	4.25	19.55	6.25
5,000	15.33	20.22	4.89	22.56	7.23
6,000	18.15	23.94	5.79	26.71	8.56
7,000	20.97	27.66	6.69	30.86	9.89
8,000	23.79	31.38	7.59	35.01	11.22
9,000	26.61	35.10	8.49	39.16	12.55
10,000	29.43	38.82	9.39	43.31	13.88
11,000	31.46	41.50	10.04	46.29	14.83
12,000	33.49	44.18	10.69	49.27	15.78
13,000	35.52	46.86	11.34	52.25	16.73
14,000	37.55	49.54	11.99	55.23	17.68
15,000	39.58	52.22	12.64	58.21	18.63
16,000	41.61	54.90	13.29	61.19	19.58
17,000	43.64	57.58	13.94	64.17	20.53
18,000	45.67	60.26	14.59	67.15	21.48
19,000	47.70	62.94	15.24	70.13	22.43
20,000	49.73	65.62	15.89	73.11	23.38